

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

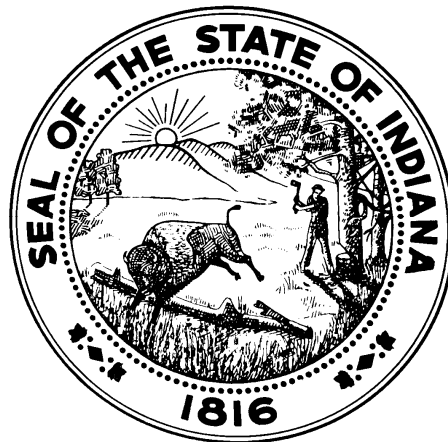
AUDIT REPORT

OF

TOWN OF ASHLEY

STEUBEN COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
09/03/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McEntarfer	01-01-06 to 12-31-11
President of the Town Council	Randy McEntarfer Richard Schiffli	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	James Pence	01-01-06 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF ASHLEY, STEUBEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashley (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 2008, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 14, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF ASHLEY, STEUBEN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashley (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Town's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2008

TOWN OF ASHLEY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 631,874	\$ 30,052	\$ -	\$ (601,822)	\$ -	\$ (601,822)
Public safety	38,712	556	-	(38,156)	-	(38,156)
Highways and streets	96,606	-	-	(96,606)	-	(96,606)
Sanitation	33,066	33,368	-	302	-	302
Culture and recreation	31,064	-	-	(31,064)	-	(31,064)
Economic development	113,780	-	-	(113,780)	-	(113,780)
Interest on long-term debt	6,823	-	-	(6,823)	-	(6,823)
Total governmental activities	951,925	63,976	-	(887,949)	-	(887,949)
Business-type activities:						
Water	266,147	294,260	-	-	28,113	28,113
Wastewater	2,358,320	577,561	722,662	-	(1,058,097)	(1,058,097)
Total business-type activities	2,624,467	871,821	722,662	-	(1,029,984)	(1,029,984)
Total primary government	<u>\$ 3,576,392</u>	<u>\$ 935,797</u>	<u>\$ 722,662</u>	<u>(887,949)</u>	<u>(1,029,984)</u>	<u>(1,917,933)</u>
General receipts:						
Property taxes				277,966	-	277,966
Other state sources				472,918	-	472,918
Other local sources				54,058	-	54,058
Bonds and loans				-	1,275,663	1,275,663
Unrestricted investment earnings				31,994	34,414	66,408
Total general receipts				836,936	1,310,077	2,147,013
Change in net assets				(51,013)	280,093	229,080
Net assets - beginning				1,024,381	1,155,889	2,180,270
Net assets - ending				<u>\$ 973,368</u>	<u>\$ 1,435,982</u>	<u>\$ 2,409,350</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Highways and Streets	Tax Incremental Financing	CEDIT	Major Moves	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 179,548	\$ 17,937	\$ 62,227	\$ -	\$ -	\$ 18,254	\$ 277,966
Licenses and permits	815	-	-	-	-	70	885
Intergovernmental	168,345	46,100	-	57,418	187,355	13,700	472,918
Charges for services	23,487	-	-	-	-	33,499	56,986
Fines and forfeits	5,750	-	-	-	-	355	6,105
Other	57,289	5,928	7,986	3,630	2,340	8,879	86,052
Total receipts	435,234	69,965	70,213	61,048	189,695	74,757	900,912
Disbursements:							
General government	581,298	-	-	-	-	-	581,298
Public safety	27,162	-	-	-	-	11,550	38,712
Highways and streets	20,000	76,606	-	-	-	-	96,606
Sanitation	-	-	-	-	-	33,066	33,066
Culture and recreation	18,104	-	-	-	-	-	18,104
Debt service:							
Principal	-	-	-	-	-	42,920	42,920
Interest	-	-	-	-	-	6,823	6,823
Capital outlay:							
Culture and recreation	-	-	-	-	-	12,960	12,960
Economic development	-	-	37,853	75,927	-	7,656	121,436
Total disbursements	646,564	76,606	37,853	75,927	-	114,975	951,925
Excess (deficiency) of receipts over disbursements	(211,330)	(6,641)	32,360	(14,879)	189,695	(40,218)	(51,013)
Other financing sources (uses):							
Transfers in	17,805	-	-	-	-	-	17,805
Transfers out	-	-	-	-	-	(17,805)	(17,805)
Total other financing sources (uses)	17,805	-	-	-	-	(17,805)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(193,525)	(6,641)	32,360	(14,879)	189,695	(58,023)	(51,013)
Cash and investment fund balance - beginning	292,050	174,970	221,325	161,701	-	174,335	1,024,381
Cash and investment fund balance - ending	\$ 98,525	\$ 168,329	\$ 253,685	\$ 146,822	\$ 189,695	\$ 116,312	\$ 973,368
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 98,525	\$ -	\$ -	\$ -	\$ -	\$ 18,106	\$ 116,631
Restricted assets:							
Cash and investments	-	168,329	253,685	146,822	189,695	98,206	856,737
Total cash and investment assets - December 31	\$ 98,525	\$ 168,329	\$ 253,685	\$ 146,822	\$ 189,695	\$ 116,312	\$ 973,368
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,539	\$ 11,539
Highway and streets	-	168,329	-	-	-	-	168,329
Sanitation	-	-	-	-	-	529	529
Culture and recreation	-	-	-	-	-	6,419	6,419
Urban redevelopment and housing	-	-	253,685	-	-	-	253,685
Economic development	-	-	-	146,822	-	-	146,822
Capital outlay	-	-	-	-	189,695	79,719	269,414
Unrestricted	98,525	-	-	-	-	18,106	116,631
Total cash and investment fund balance - December 31	\$ 98,525	\$ 168,329	\$ 253,685	\$ 146,822	\$ 189,695	\$ 116,312	\$ 973,368

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts	\$ 244,104	\$ -	\$ 244,104
Fire protection receipts	43,664	-	43,664
Penalties	1,821	8,808	10,629
Other water receipts	4,671	-	4,671
Measured wastewater receipts	-	422,214	422,214
Other waste water receipts	-	146,539	146,539
	<u>294,260</u>	<u>577,561</u>	<u>871,821</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	67,199	89,398	156,597
Employee pensions and benefits	22,996	31,364	54,360
Purchased power	24,596	69,941	94,537
Sludge removal	-	5,910	5,910
Chemicals	3,583	8,733	12,316
Material and supplies	40,628	15,012	55,640
Contractual services	38,796	2,029,916	2,068,712
Insurance disbursements	3,916	2,907	6,823
Miscellaneous disbursements	51,489	4,885	56,374
	<u>253,203</u>	<u>2,258,066</u>	<u>2,511,269</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>41,057</u>	<u>(1,680,505)</u>	<u>(1,639,448)</u>
Nonoperating receipts (disbursements):			
Federal loan proceeds	-	1,275,663	1,275,663
Interest and investment receipts	11,900	22,514	34,414
Federal grant proceeds	-	722,662	722,662
Debt service of principal	(12,000)	(44,000)	(56,000)
Interest and investment disbursement	(944)	(56,254)	(57,198)
	<u>(1,044)</u>	<u>1,920,585</u>	<u>1,919,541</u>
Total nonoperating receipts (disbursements)			
Excess of receipts over disbursements and nonoperating receipts (disbursements)	40,013	240,080	280,093
Transfers in	-	140,701	140,701
Transfers out	-	(140,701)	(140,701)
Excess of receipts, and transfers in over disbursements and transfers out	40,013	240,080	280,093
Cash and investment fund balance - beginning	<u>346,521</u>	<u>809,368</u>	<u>1,155,889</u>
Cash and investment fund balance - ending	<u>\$ 386,534</u>	<u>\$ 1,049,448</u>	<u>\$ 1,435,982</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 233,178	\$ 581,057	\$ 814,235
Restricted assets:			
Cash and investments	<u>153,356</u>	<u>468,391</u>	<u>621,747</u>
Total cash and investment assets - December 31	<u>\$ 386,534</u>	<u>\$ 1,049,448</u>	<u>\$ 1,435,982</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 89,831	\$ 218,145	\$ 307,976
Other purposes	63,525	250,246	313,771
Unrestricted	<u>233,178</u>	<u>581,057</u>	<u>814,235</u>
Total cash and investment fund balance - December 31	<u>\$ 386,534</u>	<u>\$ 1,049,448</u>	<u>\$ 1,435,982</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2006

	<u>Agency Fund</u>
Cash and investment fund balance - beginning	\$ -
Additions	469,396
Deductions	<u>469,396</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 653,477	\$ 39,609	\$ -	\$ -	\$ (613,868)	\$ -	\$ (613,868)
Public safety	45,889	3,769	-	-	(42,120)	-	(42,120)
Highways and streets	97,590	-	-	-	(97,590)	-	(97,590)
Sanitation	32,376	32,706	-	-	330	-	330
Culture and recreation	25,818	-	-	-	(25,818)	-	(25,818)
Economic development	108,804	-	-	-	(108,804)	-	(108,804)
Interest on long-term debt	4,686	-	-	-	(4,686)	-	(4,686)
Total governmental activities	968,640	76,084	-	-	(892,556)	-	(892,556)
Business-type activities:							
Water	423,725	292,281	-	-	-	(131,444)	(131,444)
Wastewater	892,616	474,091	-	377,338	-	(41,187)	(41,187)
Total business-type activities	1,316,341	766,372	-	377,338	-	(172,631)	(172,631)
Total primary government	\$ 2,284,981	\$ 842,456	\$ -	\$ 377,338	(892,556)	(172,631)	(1,065,187)
General receipts:							
Property taxes					1,012,029	-	1,012,029
Other state sources					327,545	-	327,545
Other local sources					54,616	-	54,616
Unrestricted investment earnings					54,209	56,980	111,189
Total general receipts					1,448,399	56,980	1,505,379
Change in net assets					555,843	(115,651)	440,192
Net assets - beginning					973,368	1,435,982	2,409,350
Net assets - ending					\$ 1,529,211	\$ 1,320,331	\$ 2,849,542

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Highways and Streets	Tax Incremental Financing	CEDIT	Major Moves	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 509,192	\$ 42,726	\$ 403,008	\$ -	\$ -	\$ 57,103	\$ 1,012,029
Licenses and permits	970	-	-	-	-	130	1,100
Intergovernmental	184,708	47,067	-	77,451	-	18,319	327,545
Charges for services	24,865	-	-	-	-	32,837	57,702
Fines and forfeits	13,774	-	-	-	-	3,508	17,282
Other	50,656	7,429	18,572	7,938	9,529	14,701	108,825
Total receipts	784,165	97,222	421,580	85,389	9,529	126,598	1,524,483
Disbursements:							
General government	595,220	-	-	-	-	-	595,220
Public safety	33,336	-	-	-	-	12,553	45,889
Highways and streets	8,760	88,830	-	-	-	-	97,590
Sanitation	-	-	-	-	-	32,376	32,376
Culture and recreation	6,790	-	-	-	-	155	6,945
Economic development	-	-	-	31,457	-	-	31,457
Debt service:							
Principal	-	-	-	-	-	45,025	45,025
Interest	-	-	-	-	-	4,686	4,686
Capital outlay:							
Culture and recreation	-	-	-	-	-	18,873	18,873
Economic development	-	-	77,347	-	-	13,232	90,579
Total disbursements	644,106	88,830	77,347	31,457	-	126,900	968,640
Excess (deficiency) of receipts over disbursements	140,059	8,392	344,233	53,932	9,529	(302)	555,843
Cash and investment fund balance - beginning	98,525	168,329	253,685	146,822	189,695	116,312	973,368
Cash and investment fund balance - ending	\$ 238,584	\$ 176,721	\$ 597,918	\$ 200,754	\$ 199,224	\$ 116,010	\$ 1,529,211
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 238,584	\$ -	\$ -	\$ -	\$ -	\$ 31,456	\$ 270,040
Restricted assets:							
Cash and investments	-	176,721	597,918	200,754	199,224	84,554	1,259,171
Total cash and investment assets - December 31	\$ 238,584	\$ 176,721	\$ 597,918	\$ 200,754	\$ 199,224	\$ 116,010	\$ 1,529,211
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,934	\$ 17,934
Highways and streets	-	176,721	-	-	-	-	176,721
Sanitation	-	-	-	-	-	859	859
Culture and recreation	-	-	-	-	-	6,681	6,681
Urban redevelopment and housing	-	-	597,918	-	-	-	597,918
Economic development	-	-	-	200,754	-	-	200,754
Capital outlay	-	-	-	-	199,224	59,080	258,304
Unrestricted	238,584	-	-	-	-	31,456	270,040
Total cash and investment fund balance - December 31	\$ 238,584	\$ 176,721	\$ 597,918	\$ 200,754	\$ 199,224	\$ 116,010	\$ 1,529,211

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts	\$ 244,532	\$ -	\$ 244,532
Fire protection receipts	43,664	-	43,664
Penalties	1,636	8,226	9,862
Other water revenue	2,449	-	2,449
Measured wastewater receipts	-	364,373	364,373
Other wastewater revenue	-	101,492	101,492
Total operating receipts	292,281	474,091	766,372
Operating disbursements:			
Insurance claims and premiums	4,586	4,127	8,713
Salaries and wages	70,401	103,797	174,198
Employee pensions and benefits	25,163	41,887	67,050
Purchased power	21,855	51,776	73,631
Sludge removal	-	4,845	4,845
Chemicals	6,897	15,725	22,622
Material and supplies	28,167	64,851	93,018
Contractual services	247,301	420,380	667,681
Miscellaneous disbursements	19,355	6,153	25,508
Total operating disbursements	423,725	713,541	1,137,266
Deficiency of operating receipts over operating disbursements	(131,444)	(239,450)	(370,894)
Nonoperating receipts (disbursements):			
Federal grant proceeds	-	377,338	377,338
Interest and investment receipts	16,158	40,822	56,980
Debt service of principal	-	(70,000)	(70,000)
Interest and investment disbursement	-	(109,075)	(109,075)
Total nonoperating receipts (disbursements)	16,158	239,085	255,243
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(115,286)	(365)	(115,651)
Transfers in	-	111,164	111,164
Transfers out	-	(111,164)	(111,164)
Deficiency of receipts, and transfers in over disbursements and transfers out	(115,286)	(365)	(115,651)
Cash and investment fund balance - beginning	386,534	1,049,448	1,435,982
Cash and investment fund balance - ending	\$ 271,248	\$ 1,049,083	\$ 1,320,331
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 115,026	\$ 541,795	\$ 656,821
Restricted assets:			
Cash and investments	156,222	507,288	663,510
Total cash and investment assets - December 31	\$ 271,248	\$ 1,049,083	\$ 1,320,331
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 90,475	\$ 254,017	\$ 344,492
Other purposes	65,719	253,271	318,990
Unrestricted	115,054	541,795	656,849
Total cash and investment fund balance - December 31	\$ 271,248	\$ 1,049,083	\$ 1,320,331

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2007

	<u>Agency Fund</u>
Cash and investment fund balance - beginning	\$ -
Additions	573,864
Deductions	<u>573,864</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Ashley

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund balance, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The highways and streets fund (special revenue) accounts for the financial resources and expenses for construction, operation and maintenance of local and arterial roads and street system. The motor vehicle highway and local roads and streets funds have been combined to form the highways and streets fund.

The tax incremental financing fund (capital projects) accounts for the Town's use of TIF property tax revenues.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The credit fund (capital projects) accounts for the Town's use of economic development income tax revenues.

The major moves fund (special revenue) accounts for the Town's use of the Major Moves special distribution.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for payroll and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the utility funds and the governmental funds for goods and services received such as water and wastewater services provided. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is also classified as fund balance.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2007, the bank balances held in the amount of \$2,849,517 were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
Levy Excess Fund	General Fund	<u>\$ 17,805</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

Job Related Illness or Injuries to Employees

During 1998, the Town joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 300 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The Town pays an annual premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

On January 10, 2008, the Town of Ashley issued Waterworks Revenue Bonds in the amount of \$860,000 at an interest rate of 4.5%, payable semiannually, to Farmer's State Bank. The proceeds will be used to pay for the construction of waterworks improvements.

C. Rate Structure – Enterprise Funds

Water Utility

On June 12, 1989, the Town Council adopted Ordinance No. 89-4 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 9, 2002.

Wastewater Utility

The current rate structure was approved by the Town Council on December 9, 2002.

D. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 12,192
Interest on net pension obligation	182
Adjustment to annual required contribution	<u>(207)</u>
Annual pension cost	12,167
Contributions made	<u>15,607</u>
Decrease in net pension obligation	(3,440)
Net pension obligation, beginning of year	<u>2,507</u>
Net pension obligation, end of year	<u><u>\$ (933)</u></u>

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>PERF</u>
Contribution rates:	
Town	5.5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 19,248	83%	\$ (2,214)
	06-30-06	17,586	73%	2,507
	06-30-07	12,167	128%	(933)

TOWN OF ASHLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 152,405	\$ 219,991	\$ (67,586)	69%	\$ 272,419	(25%)
07-01-06	202,355	181,063	21,292	112%	236,009	9%
07-01-07	237,552	217,304	20,248	109%	277,042	7%

TOWN OF ASHLEY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	Park and Recreation	Law Enforcement Continuing Education	Riverboat	Cumulative Capital Improvement	Cumulative Capital Development	Corporation Bond and Interest
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,956	\$ 8,298
Licenses and permits	-	70	-	-	-	-
Intergovernmental	-	-	6,356	3,608	718	588
Charges for services	-	131	-	-	-	-
Fines and forfeits	-	355	-	-	-	-
Other	2,831	10	648	1,060	2,827	65
Total receipts	2,831	566	7,004	4,668	13,501	8,951
Disbursements:						
Public safety	-	590	-	-	5,364	-
Sanitation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	18,920	24,000
Interest	-	-	-	-	2,274	4,549
Capital outlay:						
Culture and recreation	12,960	-	-	-	-	-
Economic development	-	-	-	7,656	-	-
Total disbursements	12,960	590	-	7,656	26,558	28,549
Excess (deficiency) of receipts over disbursements	(10,129)	(24)	7,004	(2,988)	(13,057)	(19,598)
Other financing uses:						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,129)	(24)	7,004	(2,988)	(13,057)	(19,598)
Cash and investment fund balance - beginning	16,548	758	19,176	35,887	59,877	11,524
Cash and investment fund balance - ending	\$ 6,419	\$ 734	\$ 26,180	\$ 32,899	\$ 46,820	\$ (8,074)
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 26,180	\$ -	\$ -	\$ (8,074)
Restricted assets:						
Cash and investments	6,419	734	-	32,899	46,820	-
Total cash and investment assets - December 31	\$ 6,419	\$ 734	\$ 26,180	\$ 32,899	\$ 46,820	\$ (8,074)
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ 734	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	-	-
Culture and recreation	6,419	-	-	-	-	-
Capital outlay	-	-	-	32,899	46,820	-
Unrestricted	-	-	26,180	-	-	(8,074)
Total cash and investment fund balance - December 31	\$ 6,419	\$ 734	\$ 26,180	\$ 32,899	\$ 46,820	\$ (8,074)

TOWN OF ASHLEY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006
(Continued)

	Firefighting	Garbage	Operation Pullover	Levy Excess	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 18,254
Licenses and permits	-	-	-	-	70
Intergovernmental	-	-	2,430	-	13,700
Charges for services	-	33,368	-	-	33,499
Fines and forfeits	-	-	-	-	355
Other	1,438	-	-	-	8,879
Total receipts	1,438	33,368	2,430	-	74,757
Disbursements:					
Public safety	2,997	-	2,599	-	11,550
Sanitation	-	33,066	-	-	33,066
Debt service:					
Principal	-	-	-	-	42,920
Interest	-	-	-	-	6,823
Capital outlay:					
Culture and recreation	-	-	-	-	12,960
Economic development	-	-	-	-	7,656
Total disbursements	2,997	33,066	2,599	-	114,975
Excess (deficiency) of receipts over disbursements	(1,559)	302	(169)	-	(40,218)
Other financing uses:					
Transfers out	-	-	-	(17,805)	(17,805)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,559)	302	(169)	(17,805)	(58,023)
Cash and investment fund balance - beginning	12,364	227	169	17,805	174,335
Cash and investment fund balance - ending	<u>\$ 10,805</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,312</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 18,106
Restricted assets:					
Cash and investments	10,805	529	-	-	98,206
Total cash and investment assets - December 31	<u>\$ 10,805</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,312</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ 10,805	\$ -	\$ -	\$ -	\$ 11,539
Sanitation	-	529	-	-	529
Culture and recreation	-	-	-	-	6,419
Capital outlay	-	-	-	-	79,719
Unrestricted	-	-	-	-	18,106
Total cash and investment fund balance - December 31	<u>\$ 10,805</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,312</u>

TOWN OF ASHLEY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	Park and Recreation	Law Enforcement Continuing Education	Riverboat	Cumulative Capital Improvement	Cumulative Capital Development	Corporation Bond and Interest
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 24,913	\$ 32,190
Licenses and permits	-	130	-	-	-	-
Intergovernmental	-	-	6,369	3,548	1,733	2,244
Charges for services	-	131	-	-	-	-
Fines and forfeits	-	515	-	-	-	-
Other	417	5	1,064	875	1,591	-
Total receipts	417	781	7,433	4,423	28,237	34,434
Disbursements:						
Public safety	-	1,266	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	155	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	20,025	25,000
Interest	-	-	-	-	1,169	3,517
Capital outlay:						
Culture and recreation	-	-	-	-	18,873	-
Economic development	-	-	-	6,287	6,945	-
Total disbursements	155	1,266	-	6,287	47,012	28,517
Excess (deficiency) of receipts over disbursements	262	(485)	7,433	(1,864)	(18,775)	5,917
Cash and investment fund balance - beginning	6,419	734	26,180	32,899	46,820	(8,074)
Cash and investment fund balance - ending	\$ 6,681	\$ 249	\$ 33,613	\$ 31,035	\$ 28,045	\$ (2,157)
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 33,613	\$ -	\$ -	\$ (2,157)
Restricted assets:						
Cash and investments	6,681	249	-	31,035	28,045	-
Total cash and investment assets - December 31	\$ 6,681	\$ 249	\$ 33,613	\$ 31,035	\$ 28,045	\$ (2,157)
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ 249	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	-	-
Culture and recreation	6,681	-	-	-	-	-
Capital outlay	-	-	-	31,035	28,045	-
Unrestricted	-	-	33,613	-	-	(2,157)
Total cash and investment fund balance - December 31	\$ 6,681	\$ 249	\$ 33,613	\$ 31,035	\$ 28,045	\$ (2,157)

TOWN OF ASHLEY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Firefighting	Garbage	Operation Pullover	Donation	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 57,103
Licenses and permits	-	-	-	-	130
Intergovernmental	-	-	4,425	-	18,319
Charges for services	-	32,706	-	-	32,837
Fines and forfeits	2,993	-	-	-	3,508
Other	749	-	-	10,000	14,701
Total receipts	3,742	32,706	4,425	10,000	126,598
Disbursements:					
Public safety	651	-	4,425	6,211	12,553
Sanitation	-	32,376	-	-	32,376
Culture and recreation	-	-	-	-	155
Debt service:					
Principal	-	-	-	-	45,025
Interest	-	-	-	-	4,686
Capital outlay:					
Culture and recreation	-	-	-	-	18,873
Economic development	-	-	-	-	13,232
Total disbursements	651	32,376	4,425	6,211	126,900
Excess (deficiency) of receipts over disbursements	3,091	330	-	3,789	(302)
Cash and investment fund balance - beginning	10,805	529	-	-	116,312
Cash and investment fund balance - ending	<u>\$ 13,896</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 3,789</u>	<u>\$ 116,010</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 31,456
Restricted assets:					
Cash and investments	13,896	859	-	3,789	84,554
Total cash and investment assets - December 31	<u>\$ 13,896</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 3,789</u>	<u>\$ 116,010</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ 13,896	\$ -	\$ -	\$ 3,789	\$ 17,934
Sanitation	-	859	-	-	859
Culture and recreation	-	-	-	-	6,681
Capital outlay	-	-	-	-	59,080
Unrestricted	-	-	-	-	31,456
Total cash and investment fund balance - December 31	<u>\$ 13,896</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 3,789</u>	<u>\$ 116,010</u>

TOWN OF ASHLEY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 79,684
Infrastructure	204,380
Buildings	1,121,789
Improvements other than buildings	125,038
Machinery and equipment	<u>882,411</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 2,413,302</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,933
Buildings	228,803
Improvements other than buildings	1,330,581
Machinery and equipment	<u>439,937</u>
Total Water Utility capital assets	<u>2,010,254</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	5,926
Improvements other than buildings	4,960,537
Machinery and equipment	<u>757,786</u>
Total Wastewater Utility capital assets	<u>5,724,249</u>
Total business-type activities capital assets	<u>\$ 7,734,503</u>

TOWN OF ASHLEY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Community center improvements	\$ 54,000	28,417
Total governmental activities debt	<u>\$ 54,000</u>	<u>\$ 28,417</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Sewageworks improvements	482,000	63,870
Sewageworks, wastewater expansion	<u>2,225,000</u>	<u>117,245</u>
Total Wastewater Utility	<u>2,707,000</u>	<u>181,115</u>
Total business-type activities debt:	<u>\$ 2,707,000</u>	<u>\$ 181,115</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF ASHLEY, STEUBEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Ashley (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2008

TOWN OF ASHLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760			
Wastewater Treatment Facility Improvement Project Loan			\$ 1,498,325	\$ 377,338
<u>U.S. HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's Program	14.228			
		CF-04-204	500,000	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Town of Hudson				
State and Community Highway Safety	20.600			
Comprehensive Traffic Safety Program		J8-03-03-59	2,600	4,425
Total federal awards expended			\$ 2,000,925	\$ 381,763

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF ASHLEY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Ashley (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF ASHLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? no

Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF ASHLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF ASHLEY
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2008, with Karen McEntarfer, Clerk-Treasurer; Randy McEntarfer, Town Planner; and Richard Schiffler, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.